

RICHMOND TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Richmond Township	County Osceola
Audit Date 3/31/04	Opinion Date 8/26/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting System for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

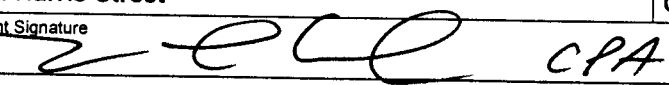
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 9/27/04

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

MARCH 31, 2004

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RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

MARCH 31, 2004

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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Richmond Township
Osceola County
Reed City, Michigan

We have audited the accompanying general-purpose financial statements of Richmond Township, Osceola County, Reed City, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The general-purpose financial statements referred to above do not include financial data of the Downtown Development Authority, which should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included, the assets and receipts of the special revenue fund type would have increased by \$159,403 and \$108,005 respectively, there would have been an excess of receipts and other sources over disbursements and other uses in that fund type of \$107,967 for the year, and the special revenue fund type fund balance would have been \$148,275.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Richmond Township, Osceola County, Reed City, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

	GOVERNMENTAL FUND TYPE GENERAL	PROPRIETARY FUND TYPE SEWER ENTERPRISE	FIDUCIARY FUND TYPE AGENCY
<u>ASSETS</u>			
Cash			
Petty Cash	\$ 20	\$ 0	\$ 0
Commercial Account	500	0	32,695
Money Market Account	269,249	17,810	46,718
Certificates of Deposit	80,000	0	0
Taxes Receivable	3,375	0	0
Advances to Other Funds	22,650	0	0
Fixed Assets (Sewer Fund)			
Net of Accumulated Depreciation	0	174,927	0
Land	0	0	0
Buildings	0	0	0
Building Improvements	0	0	0
Transfer Station Equipment	0	0	0
Election Equipment	0	0	0
Office Equipment and Furniture	0	0	0
TOTAL ASSETS	\$ 375,794	\$ 192,737	\$ 79,413
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>			
<u>LIABILITIES</u>			
Deferred Revenue	\$ 3,375	\$ 0	\$ 0
Payroll Withholdings Payable	763	0	0
Advances from Other Funds	0	22,650	0
Total Liabilities	\$ 4,138	\$ 22,650	\$ 0
<u>EQUITY AND OTHER CREDITS</u>			
Investment in General Fixed Assets	\$ 0	\$ 0	\$ 0
Contributed Capital	0	147,926	0
Retained Earnings	0	22,161	0
Balance			
Reserved for Advances	22,650	0	0
Unreserved	349,006	0	79,413
Total Equity and Other Credits	\$ 371,656	\$ 170,087	\$ 79,413
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 375,794	\$ 192,737	\$ 79,413

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

ACCOUNT GROUP		TOTAL	
GENERAL		(MEMORANDUM	
FIXED ASSETS		ONLY)	
\$	0	\$	20
	0		33,195
	0		333,777
	0		80,000
	0		3,375
	0		22,650
	0		174,927
	23,367		23,367
	18,330		18,330
	10,296		10,296
	3,251		3,251
	5,529		5,529
	10,506		10,506
\$	<u>71,279</u>	\$	<u>719,223</u>
\$	0	\$	3,375
	0		763
	0		22,650
\$	<u>0</u>	\$	<u>26,788</u>
\$	71,279	\$	71,279
	0		147,926
	0		22,161
	0		22,650
	0		428,419
\$	<u>71,279</u>	\$	<u>692,435</u>
\$	<u>71,279</u>	\$	<u>719,223</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Taxes	\$ 50,204
Licenses and Permits	6,840
State Grants	121,185
Charges for Services	17,305
Interest and Rents	5,827
Other Receipts	843
	<hr/>
Total Receipts	\$ 202,204

DISBURSEMENTS

Legislative	
Township Board	\$ 10,117
General Government	
Supervisor	9,352
Assessor	13,525
Attorney	3,820
Clerk	9,207
Board of Review	1,187
Treasurer	14,348
Building and Grounds	5,255
Public Safety	39,623
Public Works	15,850
Other Functions	12,664
	<hr/>
Total Disbursements	\$ 134,948
Excess of Receipts Over (Under) Disbursements	\$ 67,256

BALANCE - April 1, 2003

304,400

BALANCE - March 31, 2004

\$ 371,656

The accompanying notes are an integral part of these financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 43,400	\$ 50,204	\$ 6,804
Licenses and Permits	0	6,840	6,840
State Grants	121,200	121,185	(15)
Charges for Services	19,200	17,305	(1,895)
Interest and Rents	0	5,827	5,827
Other Receipts	92,835	843	(91,992)
Total Receipts	\$ 276,635	\$ 202,204	\$ (74,431)
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 11,140	\$ 10,117	\$ 1,023
General Government			
Supervisor	11,825	9,352	2,473
Election	3,500	0	3,500
Assessor	17,000	13,525	3,475
Attorney	10,000	3,820	6,180
Clerk	11,735	9,207	2,528
Board of Review	1,800	1,187	613
Treasurer	17,135	14,348	2,787
Building and Grounds	26,500	5,255	21,245
Public Safety	51,301	39,623	11,678
Public Works	79,200	15,850	63,350
Other Functions	17,500	12,664	4,836
Contingency	17,999	0	17,999
Total Disbursements	\$ 276,635	\$ 134,948	\$ 141,687
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 67,256	\$ 67,256
<u>BALANCE - April 1, 2003</u>	0	304,400	304,400
<u>BALANCE - March 31, 2004</u>	\$ 0	\$ 371,656	\$ 371,656

The accompanying notes are an integral part of these financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
MODIFIED CASH BASIS
ALL PROPRIETARY FUND TYPES

SEWER FUND
FOR THE YEAR ENDED MARCH 31, 2004

<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges	\$ 7,990
<u>OPERATING EXPENSES</u>	
Operation and Maintenance	
Repairs and Maintenance	\$ 6,892
Utilities	1,410
Depreciation	4,200
Total Operating Expenses	\$ 12,502
Operating Income (Loss)	\$ (4,512)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Earnings	\$ 160
Interest Paid	(1,930)
Total Nonoperating Revenues (Expenses)	\$ (1,770)
Net Income (Loss)	\$ (6,282)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues	
Externally Restricted for Capital Acquisition and Construction that	
Reduces Contributed Capital	3,466
Increase (Decrease) in Retained Earnings	\$ (2,816)
<u>RETAINED EARNINGS</u> - April 1, 2003	24,977
<u>RETAINED EARNINGS</u> - March 31, 2004	\$ 22,161

The accompanying notes are an integral part of these financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

SEWER FUND
FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Operating Income (Loss)

\$ (4,512)

Adjustments to Reconcile Operating Income to

Cash Provided by Operating Activities

Depreciation

4,200

Net Cash Provided (Used) by Operating Activities

\$ (312)

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Note Payable - Advance from General Fund

\$ (2,328)

Interest Paid on Note Payable - Advance from General Fund

(1,930)

Net Cash Used by Capital and Related Financing Activities

\$ (4,258)

Cash Flows from Investing Activities:

Interest Income

\$ 160

Net Increase (Decrease) in Cash and Cash Equivalents

\$ (4,410)

CASH AND CASH EQUIVALENTS - April 1, 2003

22,220

CASH AND CASH EQUIVALENTS - March 31, 2004

\$ 17,810

The accompanying notes are an integral part of these financial statements.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Richmond Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there is one component unit which should be included in its reporting entity. The Richmond Township Downtown Development Authority audit should be included in this reporting entity, but is issued under separate cover.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds are accounted for on the accrual basis of accounting. The Township applies all applicable FASB pronouncements issued through November 30, 1989, in accounting and reporting for its proprietary operations.

Proprietary funds include the following fund type:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the monitoring of receipts and disbursements is necessary for management accountability. Because of the limited amount of accounts receivable or accounts payable at any given time, the Enterprise Fund is accounted for on the modified cash basis of accounting.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township not used in the Sewer Enterprise Fund.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
 - (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
 - (i) In investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.11 to 129.118.
 - (j) In the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
 - (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
 - (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
 - (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
2. Receivables and Payables

Under the modified cash basis of accounting for governmental funds, a non cash asset for receivable of uncollected property taxes is recorded. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

Property, plant and equipment in the proprietary fund of the Township are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary fund of the Township using the straight-line method over the following estimated useful lives:

Sewer Systems

50 Years

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

5. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

6. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 29, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are owned by several of the Township's funds. A total of \$249,249 of the Township's \$450,269 of total bank investments and deposits are in accounts which exceed Federal depositing insurance and are uncollateralized. The remaining \$201,020 of bank deposits and investments are in separate accounts which are fully insured. All bank deposits and investments are in the Huntington Bank, Reed City, Michigan. At year-end, the carrying amount of the Township's deposits was \$446,992 and the bank balance was \$450,269. Included in the carrying amount is \$20 of petty cash which is uninsured and uncollateralized.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The carrying amount of the Township's deposits and investments at year-end are shown below:

	GENERAL FUND	SEWER FUND	CURRENT TAX COLLECTION FUND	TOTAL
Huntington Bank				
Reed City, Michigan				
Petty Cash	\$ 20	\$ 0	\$ 0	\$ 20
Commercial Account	500	0	32,695	33,195
Money Market Account	269,249	17,810	46,718	333,777
Certificates of Deposit	80,000	0	0	80,000
TOTAL	\$ 349,769	\$ 17,810	\$ 79,413	\$ 446,992

B. Fixed Assets

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows:

<u>GENERAL FIXED ASSETS</u>	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land	\$ 23,367	\$ 0	\$ 0	\$ 23,367
Buildings	18,330	0	0	18,330
Building Improvements	10,296	0	0	10,296
Transfer Station Equipment	3,251	0	0	3,251
Election Equipment	5,529	0	0	5,529
Office Equipment and Furniture	10,191	315	0	10,506
	\$ 70,964	\$ 315	\$ 0	\$ 71,279

C. Current Tax Collection Fund Balance

The balance of \$79,413 remaining in the current tax collection fund at March 31, 2004, consists of items collected and to be transferred as follows:

Current Property Taxes - 2002 Roll	\$ 3,888
Industrial Facilities Tax	55,638

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Delinquent Property Taxes	12,960
Penalties and Interest on Delinquent Tax	6,097
Interest Earnings	830
	<hr/>
TOTAL	\$ <u><u>79,413</u></u>

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 0.9549 mills on a state taxable valuation of \$42,133,041 on the 2003 tax roll.

	2003 Regular Tax Roll	2003 IFT Tax Roll	Total
2003 Taxable Value	\$ 42,133,041	\$ 1,667,950	\$ 43,800,991
Millage Rate	0.9549	@50% 0.47745	
Total Tax Levy	\$ 40,228	\$ 796	\$ 41,024
Less Millage Captured by Downtown Development Authority	(5,458)	(782)	(6,240)
Net 2003 Tax Levy	\$ 34,770	\$ 14	\$ 34,784
Less Current Taxes Receivable March 31, 2004	(3,375)	0	(3,375)
2003 Property Tax Revenue	\$ <u><u>31,395</u></u>	\$ <u><u>14</u></u>	\$ <u><u>31,409</u></u>

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14 with a final collection date of February 28, before they are added to the county tax rolls. Property taxes levied December 1 which are collected prior to the end of the Township's fiscal year, are recognized as income in the year in which they are levied.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense was as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 5,802	\$ 0
Sewer Fund	160	1,930
TOTAL	<u>\$ 5,962</u>	<u>\$ 1,930</u>

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income when transferred.

C. Property Tax Administration Fee

The Township passed a resolution on November 21, 1989, to charge a 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Fire Protection Contract

The Township entered into an agreement with the City of Reed City on August 1, 1997, whereas, the City will provide the Township with fire protection services. The agreement calls for the Township to pay the City the equivalent of 3/4 mill (.00075) of the taxable valuation of the real property located in the Township.

E. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all Township salaried employees. The annual contribution is 25% of the first \$2,400 of compensation and 20% of salary in excess of \$2,400. Of the total contribution of each participant, 75% is paid by the Township and 25% by the official. The Township's 2003-04 contribution amounted to \$4,679 and participants contributed \$1,526.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

To participate in the plan, an individual must be at least 18 years of age. Benefits attributable to the Township are vested in the participants immediately.

Normal retirement age under the plan is 65. Early retirement is permitted at any time after attainment of age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means the basic annual rate of compensation in effect at the beginning of each plan year. For the 2003-04 year, covered compensation was \$26,993 and the total of all wages including noncovered wages was \$43,809.

F. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

G. Component Unit

The Richmond Township Downtown Development Authority is considered a component unit of Richmond Township. The DDA is authorized to impose an ad valorem tax on all taxable property within the established DDA district. The following financial information was taken from the DDA's March 31, 2004 audited financial statements.

Total Assets	
Fund Balance - Unreserved	\$ 159,403
Total Receipts	148,275
Total Disbursements	108,005
Net Increase in Fund Balance	38
	107,967

A copy of these audited financial statements may be obtained on request from the DDA treasurer.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

H. Advance from General Fund to Sewer Fund

The Township General Fund has advanced to the Township Sewer Fund monies to payoff a prior sewer fund debt and pay for various expenses on behalf of the Sewer Fund. The advance was established on November 21, 1995, by resolution and calls for the Sewer Fund to pay the General Fund quarterly payments of \$1,064 including interest at 8% through November 2010.

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Petty Cash	
Commercial Account	\$ 20
Money Market Account	500
Certificates of Deposit	269,249
Taxes Receivable	80,000
Advances to Other Funds	3,375
	<u>22,650</u>
TOTAL ASSETS	\$ <u><u>375,794</u></u>

LIABILITIES AND BALANCE

LIABILITIES

Deferred Revenue	
Payroll Withholdings Payable	\$ 3,375
	<u>763</u>
Total Liabilities	\$ <u><u>4,138</u></u>

BALANCE

Reserved for Advances	
Unreserved	\$ 22,650
	<u>349,006</u>
Total Balance	\$ <u><u>371,656</u></u>
TOTAL LIABILITIES AND BALANCE	\$ <u><u>375,794</u></u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 43,400	\$ 50,204	\$ 6,804
Licenses and Permits	0	6,840	6,840
State Grants	121,200	121,185	(15)
Charges for Services	19,200	17,305	(1,895)
Interest and Rents	0	5,827	5,827
Other Receipts	92,835	843	(91,992)
Total Receipts	\$ 276,635	\$ 202,204	\$ (74,431)
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 11,140	\$ 10,117	\$ 1,023
General Government			
Supervisor	11,825	9,352	2,473
Election	3,500	0	3,500
Assessor	17,000	13,525	3,475
Attorney	10,000	3,820	6,180
Clerk	11,735	9,207	2,528
Board of Review	1,800	1,187	613
Treasurer	17,135	14,348	2,787
Building and Grounds	26,500	5,255	21,245
Public Safety	51,301	39,623	11,678
Public Works	79,200	15,850	63,350
Other Functions	17,500	12,664	4,836
Contingency	17,999	0	17,999
Total Disbursements	\$ 276,635	\$ 134,948	\$ 141,687
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 67,256	\$ 67,256
<u>BALANCE - April 1, 2003</u>	0	304,400	304,400
<u>BALANCE - March 31, 2004</u>	\$ 0	\$ 371,656	\$ 371,656

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Taxes	\$ 31,395
Commercial Forest	9
Delinquent Property Taxes	4,822
Property Tax Administration Fee	11,168
Summer Tax Collection Fee - State	2,810
	<hr/>

Total Taxes

\$ 50,204

LICENSES AND PERMITS

Nonbusiness Licenses and Permits	\$ 1,735
Cable Television Franchise Fees	4,079
Metro Act Fee	1,026
	<hr/>

Total Licenses and Permits

6,840

STATE GRANTS

State Revenue Sharing
Sales and Use Tax

121,185

CHARGES FOR SERVICES

Fire Runs	\$ 600
Refuse Collection	16,705
	<hr/>

Total Charges for Services

17,305

INTEREST AND RENTS

Interest Earnings	\$ 5,802
Hall Rental	25
	<hr/>

Total Interest and Rents

5,827

OTHER RECEIPTS

Refunds and Rebates	\$ 818
Miscellaneous	25
	<hr/>

Total Other Receipts

843

TOTAL CASH RECEIPTS

\$ 202,204

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages

\$ 3,340

Per Diem

25

Supplies

Office Supplies

1,731

Other Services and Charges

Contracted Services

2,982

Bank Fees

254

Printing and Publishing

1,177

Miscellaneous

608

Total Legislative

\$ 10,117

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages

\$ 7,140

Per Diem

925

Supplies

Office Supplies

31

Other Services and Charges

Education and Training

623

Travel and Expenses

633

Assessor

\$ 9,352

Supplies

Office Supplies

\$ 577

Other Services and Charges

Contracted Service

12,948

13,525

Attorney

Other Services and Charges

3,820

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

Clerk			
Personal Services			
Salaries and Wages	\$	7,650	
Per Diem		175	
Deputy		1,285	
Supplies			
Office Supplies		97	9,207
Board of Review			
Personal Services			
Per Diem	\$	1,000	
Supplies			
Operating Supplies		113	
Printing and Publishing		74	1,187
Treasurer			
Personal Services			
Salaries and Wages	\$	9,000	
Per Diem		100	
Deputy		1,435	
Supplies			
Office Supplies		1,403	
Other Services and Charges			
Contracted Services		2,410	14,348
Building and Grounds			
Other Services and Charges			
Communications	\$	452	
Utilities		1,852	
Repairs and Maintenance		2,636	
Capital Outlay		315	5,255
Total General Government			56,694

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC SAFETY

Fire Protection			
Other Services and Charges			
Aid to Other Governments			
Planning and Zoning		\$	32,001
Personal Services			
Salaries and Wages	\$	4,125	
Per Diem		1,894	
Supplies			
Office Supplies		86	
Other Services and Charges			
Professional Services		893	
Printing and Publishing		624	
		<u>624</u>	<u>7,622</u>
Total Public Safety			39,623

PUBLIC WORKS

Street Lighting			
Other Services and Charges			
Public Utilities			
Sanitation		\$	1,136
Personal Services			
Per Diem	\$	5,200	
Other Services and Charges			
Contracted Services		8,777	
Utilities		187	
Community Promotion		550	
		<u>550</u>	<u>14,714</u>
Total Public Works			15,850

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

OTHER FUNCTIONS

Insurance and Bonds		\$	4,999
Employee Benefits			
Pension Contribution	\$	4,679	
Life Insurance		705	
Medicare and Social Security		1,401	
Workers' Compensation		880	
			<u>7,665</u>

Total Other Functions

12,664

TOTAL CASH DISBURSEMENTS

\$ 134,948

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

CURRENT ASSETS

Cash

Money Market Account

\$ 17,810

PLANT ASSETS

Investment in Sewer System

Less Accumulated Depreciation

\$ 210,003
(35,076)

Net Plant Assets

174,927

TOTAL ASSETS

\$ 192,737

LIABILITIES AND FUND EQUITY

LIABILITIES

Advance from General Fund

\$ 22,650

FUND EQUITY

Contributed Capital

Retained Earnings

\$ 147,926
22,161

Total Fund Equity

\$ 170,087

TOTAL LIABILITIES AND FUND EQUITY

\$ 192,737

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2004

<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges	\$ 7,990
<u>OPERATING EXPENSES</u>	
Operation and Maintenance	
Repairs and Maintenance	
Utilities	\$ 6,892
Depreciation	1,410
	<u>4,200</u>
Total Operating Expenses	<u>12,502</u>
Operating Income (Loss)	\$ (4,512)
<u>NONOPERATING INCOME (EXPENSE)</u>	
Interest Income	
Interest Expense	\$ 160
	<u>(1,930)</u>
Total Nonoperating Income (Expense)	<u>(1,770)</u>
Net Income (Loss)	\$ (6,282)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues	
Externally Restricted for Capital Acquisition and Construction that	
Reduces Contributed Capital	<u>3,466</u>
Increase (Decrease) in Retained Earnings	(2,816)
<u>RETAINED EARNINGS - April 1, 2003</u>	<u>24,977</u>
<u>RETAINED EARNINGS - March 31, 2004</u>	<u>\$ 22,161</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (4,512)
Adjustments to Reconcile Operating Income to	
Cash Provided by Operating Activities	
Depreciation	4,200
Net Cash Provided (Used) by Operating Activities	\$ (312)
Cash Flows from Capital and Related Financing Activities:	
Principal Paid on Note Payable - Advance from General Fund	\$ (2,328)
Interest Paid on Note Payable - Advance from General Fund	(1,930)
Net Cash Used by Capital and Related Financing Activities	(4,258)
Cash Flows from Investing Activities:	
Interest Income	160
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,410)
<u>CASH AND CASH EQUIVALENTS - April 1, 2003</u>	<u>22,220</u>
<u>CASH AND CASH EQUIVALENTS - March 31, 2004</u>	<u>\$ 17,810</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

<u>ASSETS</u>		
Cash		
Commercial Account		\$ 32,695
Money Market Account		<u>46,718</u>
TOTAL ASSETS		\$ <u>79,413</u>
<u>EQUITY</u>		
Balance		\$ <u>79,413</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections		
Regular Tax Roll	\$ 1,113,904	
Industrial Facilities Tax Roll	33,914	
Property Tax Administration Fee	11,168	
Dog Licenses	315	
Commercial Forest Reserve	178	
Collection Fees	5,672	
Interest Earnings	830	
	<hr/>	
Total Receipts		\$ 1,165,981

DISBURSEMENTS

Payments to State of Michigan		
Commercial Forest		\$ 128
Payments to County Treasurer		
Current Tax	\$ 301,375	
Current Tax - State Education Tax	199,617	
Dog Licenses	315	
Commercial Forest	34	501,341
	<hr/>	
Payments to Township Treasurer		
Current Tax	\$ 31,395	
Current Tax - Downtown Development Authority - 2003	56,868	
Current Tax - Downtown Development Authority - 2002	42,578	
Industrial Facilities Tax - 2003 -		
Downtown Development Authority	7,599	
Commercial Forest	5	
Property Tax Administration Fee	11,168	149,613
	<hr/>	

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

Payments to School Treasurer			
Current Tax	366,091		
Commercial Forest	<u>8</u>	366,099	
Payments to Intermediate School Treasurer			
Current Tax	\$ 158,558		
Commercial Forest	<u>3</u>	158,561	
Refund of Overpayments from Taxpayers and Chargebacks		<u>3,553</u>	
Total Disbursements			<u>1,179,295</u>
Excess of Receipts Over (Under) Disbursements		\$ (13,314)	
<u>BALANCE</u> - April 1, 2003			<u>92,727</u>
<u>BALANCE</u> - March 31, 2004		\$	<u><u>79,413</u></u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
<u>GENERAL FIXED ASSETS</u>				
Land	\$ 23,367	\$ 0	\$ 0	\$ 23,367
Buildings	18,330	0	0	18,330
Building Improvements	10,296	0	0	10,296
Transfer Station Equipment	3,251	0	0	3,251
Election Equipment	5,529	0	0	5,529
Office Equipment and Furniture	10,191	315	0	10,506
	<u>\$ 70,964</u>	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 71,279</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 70,964</u>	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 71,279</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF 2003 REGULAR TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County	\$	333,771	
County - State Education Tax		210,571	
Township		34,770	
Richmond Township Downtown Development Authority		57,862	
School			
Reed City Public Schools		395,288	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>173,077</u>	\$ 1,205,339

TAXES COLLECTED

County	\$	301,375	
County - State Education Tax		199,617	
Township		31,395	
Richmond Township Downtown Development Authority		56,868	
School			
Reed City Public Schools		366,091	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>158,558</u>	<u>1,113,904</u>

TAXES RETURNED DELINQUENT

County	\$	32,396	
County - State Education Tax		10,954	
Township		3,375	
Richmond Township Downtown Development Authority		994	
School			
Reed City Public Schools		29,197	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>14,519</u>	\$ <u>91,435</u>

RICHMOND TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF 2003 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County	\$	130	
State Education Tax		7,650	
Township		14	
Richmond Township Downtown Development Authority		7,599	
School			
Reed City Public Schools		15,378	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>3,143</u>	\$ 33,914

TAXES COLLECTED

County	\$	130	
State Education Tax		7,650	
Township		14	
Richmond Township Downtown Development Authority		7,599	
School			
Reed City Public Schools		15,378	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>3,143</u>	<u>33,914</u>

TAXES RETURNED DELINQUENT

County	\$	0	
State Education Tax		0	
Township		0	
Richmond Township Downtown Development Authority		0	
School			
Reed City Public Schools		0	
Intermediate School			
Mecosta-Osceola Intermediate School District		<u>0</u>	\$ <u><u>0</u></u>

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Richmond Township
Osceola County
Reed City, Michigan

During the course of our audit of Richmond Township for the year ended March 31, 2004, we noted the following items:

Current Tax Collection

As of March 31, 2004, a balance remained in the current tax collection fund. We strongly recommend that any balance remaining in the current tax collection fund be paid out prior to the end of the fiscal year.

Complexity of Tax Collections

Currently the Township Treasurer is collecting regular property taxes, industrial facilities tax and dealing with a Downtown Development Authority Capture for each, as well as tracking and collecting delinquent personal property tax. With a new Treasurer beginning to serve in November and winter tax collections starting December 1st we recommend the Township consider having us assist the Treasurer either during the transition, so the new treasurer can start with a clean slate, or at March 31, 2005, to ensure the transition year was accounted for properly.

Government Accounting Standards Board (GASB) Statement 34

GASB has issued its new financial accounting model for governmental entities. This pronouncement will become effective for Richmond Township for its fiscal year ending March 31, 2005. We will advise you on how to proceed with this project as the implementation date nears.

We would like to thank the board for its continued confidence and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

August 26, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Richmond Township
Osceola County
Reed City, Michigan

In planning and performing our audit of the general-purpose financial statements of Richmond Township, Osceola County, Reed City, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.